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March 28, 2005

Mary L. Cottrell, Secretary
Department of Telecommunications and Energy
One South Station – 2nd Floor
Boston, Massachusetts 02110

Re: D.T.E. 03-88A, D.T.E. 03-88B, D.T.E. 03-88C, D.T.E. 03-88D, D.T.E. 03-88E
and D.T.E. 03-88F, Costs To Be Included in Default Service Rates

Dear Secretary Cottrell:

On January 21, 2005, Boston Edison Company, Cambridge Electric Light Company, Commonwealth Electric Company (together, "NSTAR Electric"), Fitchburg Gas and Electric Light Company, Massachusetts Electric Company, Nantucket Electric Company, Western Massachusetts Electric Company, the Attorney General and Associated Industries of Massachusetts (together, the "Settling Parties") submitted for approval by the Department of Telecommunications and Energy (the "Department") a Joint Motion for Approval of Settlement Agreement and a Settlement Agreement resolving issues in D.T.E. 03-88A through D.T.E. 03-88F. The Joint Motion and the Settlement Agreement provide that if the Department did not approve the Settlement Agreement in its entirety by February 18, 2005, it would be deemed withdrawn. On February 18, 2005, the Settling Parties agreed to extend that deadline until March 18, 2005, and on March 18, 2005, the Settling Parties agreed to extend that deadline until March 31, 2005.

In order to address concerns expressed by the Department and in comments filed relating to the Settlement Agreement, the Settling Parties have amended the Settlement Agreement by including a requirement that NSTAR Electric recompute the calculation of bad debt and update its Settlement Appendix accordingly. This amendment is included in a footnote at Page 3, Paragraph 2.4 of the Settlement Agreement, which reads:

The Settling Parties agree that NSTAR Electric shall file no later than June 1, 2005, an update of its Settlement Appendix that will recalculate the bad-debt amounts based on the actual bad-debt experience of Default Service and Standard Offer Service customers.

Letter to Secretary Cottrell

March 28, 2005

Page 2

Therefore, by this letter, the Settling Parties hereby amend Paragraph 2.4 of the Settlement Agreement, by inserting the footnote as indicated on the Amended Page, enclosed herewith. I hereby certify that each of the Settling Parties has authorized me to represent its agreement to the terms of this amendment to the Settlement Agreement. If you have any questions, please call.

Thank you for your attention to this matter.

Sincerely,

A handwritten signature in black ink, appearing to read "Robert N. Werlin". The signature is fluid and cursive, with the first name "Robert" and last name "Werlin" being clearly distinguishable.

Robert N. Werlin

cc: John Geary, Hearing Officer
Service Lists

- 1.8 This Settlement Agreement resolves all issues relating to these proceedings, as follows:

ARTICLE 2

TERMS OF AGREEMENT

- 2.1 The Settling Parties agree that any transfer of cost recovery from base distribution rates to Default Service rates be revenue neutral to each of the Distribution Companies. Except for Unitil, no additional category or categories of costs are to be collected and no category or categories of costs are to be eliminated when the recovery of such costs are transferred from base distribution rates into Default Service rates. Unitil shall collect bad debt and working capital in Default Service, which has already been removed from base distribution rates.
- 2.2 The Settling Parties agree that the recovery of costs so transferred shall be collected in Default Service rates, but the Settling Parties agree that for accounting, ratemaking and all other purposes they shall be treated as base distribution costs and revenue.
- 2.3 The Settling Parties agree that each of the Distribution Companies shall increase its Default Service rates and reduce its distribution rates to implement the transfer of the recovery of costs effective on the first date after March 1, 2005 on which said Distribution Company's Default Service rates are changed for all classes of customers.
- 2.4 The Settling Parties agree that the amount of the transfer of cost recovery shall be as set forth in the Settlement Appendices,* which compute: (a) the amount of wholesale and direct retail costs, as defined by the Department's November 17,

* The Settling Parties agree that NSTAR Electric shall file no later than June 1, 2005, an update of its Settlement Appendix that will recalculate the bad-debt amounts based on the actual bad-debt experience of Default Service and Standard Offer Service customers.